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Date:

GAIN Report Number:

Philippines

Sugar Semi-annual

Semi-Annual Situation and Outlook

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Report Highlights:

Though a minor player in the international sugar market due to its high production costs, the Philippines is the 8th largest sugarcane producer and the third largest U.S. sugar tariff rate quota (TRQ) recipient. Despite a slight drop in area harvested, Market Year (MY) 2013/14 (December/November) raw sugar production is expected to reach 2.45 MMT (up 2.7 percent over MY 2012/13) mainly due to favorable weather conditions, improved farm yields and higher sugar recovery from cane. Total raw sugar exports for MY 2013/14 are expected to total 250,000 MT, roughly half of which will go to the United States under the U.S. TRQ system. Since the beginning of MY 2013/14, domestic sugar prices have risen noticeably due to strong demand from local food processors. The average MY 2013/14 Philippine millsite price for domestically sold raw sugar is nearly double the price of local sugar destined for the world market.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Production:

Total MY 2013/14 raw sugar production is forecast to reach 2.45 MMT, assuming favorable weather conditions. Based on Sugar Regulatory Administration (SRA) estimates, Crop Year (CY) 2013/14 (September-August) sugarcane production area dropped slightly to 422 thousand hectares (from 424 thousand hectares the previous year) and cane harvest will likely reach 24.5 MMT. Raw sugar production for CY 2014/15 is projected to reach 2.5 MMT.

| RAW SUGAR PRODUCTION, CONSUMPTION, TRADE | | | |
|--|----------------|----------------|------------------|
| Market Year December/November (in Metric Tons)* | | | |
| | 2011/12 | 2012/13 | 2013/14** |
| Production | 2,398,917 | 2,384,906 | 2,450,000 |
| Withdrawals | 2,130,347 | 2,147,215 | 2,200,00 |
| Exports | 289,063 | 262,280 | 250,000 |

Source: Philippine Sugar Regulatory Administration

*As of April 2013, USDA revised the official Marketing Year from September/August to December/November

** Post Forecast

Wholesale and retail prices of raw and refined sugar in Metro Manila follow (the most recent data from SRA is through August, 2014)

| RAW AND REFINED SUGAR PRICES | | | | |
|-------------------------------------|---|---------------------------------|---|---------------------------------|
| | Raw Sugar | | Refined Sugar | |
| | Wholesale Price (Pesos/per 50 Kg. Bag) | Retail Price (Pesos/per Kg.) | Wholesale Price (Pesos/per 50 Kg. Bag) | Retail Price (Pesos/per Kg.) |
| MY 2012/13 | | | | |
| December | 1,439.00 | 42.18 | 1,899.50 | 49.38 |
| January | 1,444.75 | 41.58 | 1,902.25 | 48.84 |
| February | 1,510.75 | 39.69 | 1,953.00 | 47.56 |
| March | 1,499.17 | 38.78 | 1,935.00 | 47.03 |
| April | 1,576.59 | 38.98 | 1,976.48 | 47.11 |
| May | 1,620.22 | 40.65 | 2,015.00 | 47.55 |
| June | 1,612.88 | 39.75 | 2,014.38 | 47.39 |
| July | 1,590.78 | 40.70 | 1,997.78 | 47.73 |
| August | 1,579.46 | 39.40 | 1,979.75 | 47.33 |
| September | 1,576.59 | 38.98 | 1,976.48 | 47.11 |
| October | 1,620.00 | 38.00 | 1,950.00 | 48.00 |
| November | 1,700.00 | 39.00 | 1,980.00 | 47.00 |
| MY 2013/14 | | | | |

| | | | | |
|----------|----------|-------|----------|-------|
| December | 1,650.00 | 39.00 | 2,030.00 | 47.71 |
| January | 1,630.00 | 39.00 | 2,007.81 | 47.83 |
| February | 1,600.00 | 39.00 | 2,053.43 | 47.81 |
| March | 1,680.29 | 40.83 | 2,053.43 | 47.96 |
| April | 1,768.32 | 41.03 | 2,148.88 | 48.48 |
| May | 1,829.06 | 42.06 | 2,269.94 | 49.51 |
| June | 1,830.25 | 43.66 | 2,299.50 | 50.83 |
| July | 1,819.75 | 44.33 | 2,298.00 | 51.31 |
| August | 1,793.75 | 44.30 | 2,280.75 | 51.45 |

Source: Philippine Sugar Regulatory Administration

U.S. Dollar to Philippine Peso Exchange Rates follows:

| Exchange Rate | 2011 | 2012 | 2013 | October 2014 |
|---------------|-------|-------|-------|--------------|
| US\$=PhP | 43.31 | 42.23 | 42.45 | 44.80 |

Source: Bangko Sentral ng Pilipinas

Note: Exchange rate on October 13, 2014

As of August 2014 (end of the Philippine sugar crop year), millsite prices have risen significantly from the average MY 2012/13 prices, mainly as a result of increasing local demand for sugar and a drop in smuggled sugar entering the country.

| Philippine Millsite Prices (Pesos) | | | | |
|------------------------------------|-----------------|--------------|-----------|-----------------|
| MY 2012/13 | "A" US Quota | "B" Domestic | "D" World | Composite Price |
| December | 777 | 1,297 | 795 | 1,205 |
| January | 792 | 1,337 | 774 | 1,237 |
| February | 751 | 1,363 | 778 | 1,255 |
| March | 712 | 1,378 | 779 | 1,264 |
| April | 675 | 1,435 | 752 | 1,304 |
| May | 643 | 1,435 | 715 | 1,298 |
| June | 647 | 1,438 | 727 | 1,302 |
| July | 636 | 1,423 | 644 | 1,282 |
| August | 666 | 1,416 | 658 | 1,280 |
| September | 707 | 1,462 | 739 | 1,360 |
| October | 784 | 1,434 | 823 | 1,349 |
| November | 771 | 1,465 | 815 | 1,373 |
| Average | 713 | 1,407 | 750 | 1,292 |
| MY 2013/14 | | | | |
| December | 742 | 1,430 | 777 | 1,338 |
| January | 752 | 1,411 | 747 | 1,318 |
| February | 792 | 1,457 | 783 | 1,383 |
| March | 811 | 1,520 | 814 | 1,480 |
| April | 856 | 1,646 | 838 | 1,618 |

| | | | | |
|--------|-----|-------|---|-------|
| May | 906 | 1,710 | - | 1,694 |
| June | 951 | 1,652 | - | 1,639 |
| July | 700 | 1,623 | - | 1,604 |
| August | 905 | 1,621 | - | 1,607 |

Source: Philippine Sugar Regulatory Administration

Consumption:

In the Philippines, consumption is typically measured by monitoring sugar withdrawals from the mills by traders and industrial users (as mills are the main holders of the country's stocks). Withdrawals in MY 2012/13 increased to 2.15 MMT (from 2.13 the previous year). Consumption is expected to increase further to 2.2 MMT in MY 2013/14 and to 2.25 MMT in MY 2014/15 due to expanding food processing demand and a rising population.

Trade:

Despite domestic prices being well above world prices most years, the Philippines typically exports an average of 250,000- 300,000 tons of sugar per year as a way to support local industry (and the higher domestic price). Total raw sugar exports for MY 2013/14 are expected to reach 250,000 MT, down 50,000 MT from Post's initial MY 2013/14 estimates. The downward adjustment is due to an industry decision to reallocate sugar destined for the world market to local end-users to take advantage of rising demand. Roughly half of MY 2013/14 exports will go to the United States under the U.S. TRQ program. Fiscal Year 2014/15 TRQ exports to the United States are set at 142,160 MT Raw Value (136,201 MT Commercial Weight). MY 2014/15 raw sugar exports to all countries (including the United States) are forecast to reach 300,000 MT.

While documented refined sugar imports for MY 2013/14 are expected to reach 40,000 MT, some trade contacts estimate smuggled volume of between 50,000-70,000 MT, mostly from Thailand.

Production, Supply and Demand Data Statistics:

| Sugar, Centrifugal Philippines | 2012/2013 | 2013/2014 | 2014/2015 |
|-----------------------------------|-----------|-----------|-----------|
|-----------------------------------|-----------|-----------|-----------|

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